30 January 2026

Weekly Market Recap

Principal® In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2025
Equities					
MSCI World	USD	0.5%	1.5%	2.1%	19.5%
S&P 500	USD	0.3%	0.6%	1.3%	16.4%
Nasdaq	USD	-0.2%	0.3%	1.2%	20.2%
Russell 2000	USD	-2.1%	4.5%	5.2%	11.3%
Stoxx 600-Europe	EUR	0.4%	3.1%	3.2%	16.7%
Nikkei 225	JPY	-1.1%	5.8%	5.8%	26.2%
KOSPI	KRW	4.5%	23.7%	23.7%	75.1%
MSCI Asia Pac ex-Japan	USD	2.1%	7.8%	7.8%	26.9%
ASEAN	USD	-0.2%	3.1%	3.3%	12.0%
Shanghai Shenzhen CSI 300	CNY	0.1%	1.1%	1.6%	17.7%
Hang Seng	HKD	2.4%	5.6%	6.6%	28.2%
Shanghai Stock Exchange Composite	CNY	-0.5%	3.7%	3.6%	18.6%
FBM Emas Shariah	MYR	-0.3%	1.1%	1.3%	-3.9%
FBMKLCI	MYR	1.2%	3.2%	3.5%	2.4%
Fixed Income					
Bberg Bardays Global Agg	USD	0.8%	0.8%	0.9%	8.2%
JPM Asia Credit Index-Core	USD	0.1%	0.4%	0.3%	9.1%
Asia Dollar Index	USD	0.4%	0.2%	0.2%	3.3%

Top Performing Principal Funds	(31 Dec 2025)	(31 Dec 2025)
Equities		
Principal China Direct Opportunities USD	5.91	35.60
Principal Malaysia Opportunities	4.97	1.14
Principal Malaysia Titans	4.35	2.03
Balanced		
Principal Lifetime Balanced	3.07	-0.39
Principal Lifetime Balanced Income	2.60	-0.16
Principal Dynamic Enhanced Malaysia Income	2.54	-0.43
Fixed Income		
Principal Conservative Bond	0.32	4.94
Principal Lifetime Bond	0.29	5.22
Principal Deposit	0.28	3.51

*Source: Bloomberg, market data is as of 30 January 2026.
*As we emphasise a long-term focus, the top performing funds were selected *based on monthly performance.
*The numbers may show as negative if there is no positive return for the period under review.
*The fund performance was referenced from the daily performance report, data was extracted from Lipper.
*The performance figures are based on the fund's respective currency class.
Past performance is not an indication of future performance.

Market Review [1]

1. This week saw a mixed performance across global financial markets. The United State, Europe, and Japanese indices closed in negative territory.

2. Performance across Asia was largely positive. South Koreas was a standout performer, followed by Hong Kong and Taiwan region. Meanwhile, Indonesia experienced the sharpest decline. In Malaysia, the FBM KLCI managed a slight gain.

3. In the bond market, the yield on the 10-year US Treasury moved higher to the 4.24% range (as of January 30th) after President Trump nominated Kevin Warsh to succeed Fed Chair Powell. Markets viewed the pick as reinforcing a more disciplined and cautious easing trajectory, pushing long-end yields higher and pressuring rate-sensitive after January's strong rally. (It's worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, key developments include the Fed left the federal funds rate unchanged at the 3.5%–3.75% target range in its January 2026 meeting, in line with expectations, after three consecutive rate cuts last year that pushed borrowing costs to their lowest level since 2022. Initial jobless claims in the US inched lower by 1,000 to 209,000 from the upwardly revised value in the previous week, ahead of the market consensus of 205,000. The trade deficit in the US widened sharply to $56.8 billion in November 2025, the highest in four months, compared to a $29.2 billion gap in October which was the lowest since 2009, and much higher than forecasts of a $40.5 billion shortfall. The figure underscores pronounced monthly swings amid President Trump administration's frequently changing tariff stance.[2]

2. In Europe, the ECB recently expressed concerns over the euro's sharp appreciation, cautioning that it could influence inflation and monetary policy. GDP grew 1.4% year-on-year in the third quarter of 2025, compared to the 1.6% expansion recorded in both the first and second quarters, and broadly in line with the previous estimate. [3]

3. In China, investors are balancing expectations of fresh policy support against a tightening regulatory environment for speculative trading. Beijing has indicated plans to cut key interest rates and introduce new measures to boost consumption and counter deflationary pressures this year. Meanwhile, the government has cracked down on speculative trading in a bid to curb capital market risks, targeting market manipulators and high-frequency trading, while raising margin requirements for retail investors. [4]

4. In Malaysia, the MYR strengthened to around 3.97 per dollar (as of 29 January), hitting its highest level since June 2018, driven by optimism over the country's role in the artificial intelligence supply chain and a solid growth outlook. Malaysia's economic momentum is expected to remain firm this year, supported by resilient domestic demand and robust tourism prospects. Rising tech exports and the rapid expansion of the data-center sector are also attracting fresh foreign investment, reinforcing the country's medium-term prospects. Meanwhile, expectations that Bank Negara Malaysia will keep rates unchanged for an extended period, alongside anticipated Federal Reserve easing, may narrow the US–Malaysia rate gap and further support the ringgit's outperformance against regional peers. [5]

Investment Strategy [6]

The market in 2026 is projected to continue its positive performance, driven by optimism in abundant liquidity, stable macroeconomics, and the ongoing growth in digital transformation. Investors are advised to adhere to long-term principles—using diversification and a phased-in strategy—to manage timing risk, reduce emotion, and benefit from market fluctuations.

We also believe AI will remain a key driver for equity performance and see beneficiaries broadening into the intelligence and application layers.

Our strategy focuses on quality growth companies with domestic earnings, supplemented by quality bonds for portfolio stability during uncertainty.

Sources:
[1] Bloomberg, 30 January 2026
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 30 January 2026
[3] S&P Global, ECB, Factset, Bank of England (BoE), 30 January 2026
[4] Bloomberg, National Bureau of Statistic China, CEWC, 30 January 2026
[5] Department of Statistic Malaysia, S&P Global, 30 January 2026
[6] Principal view, 30 January 2026

*SEZ refers to Special Economic Zone
*PMI refers to Purchasing Manufacturing Index
*HCOB refers to Hamburg Commercial Bank
*NBS PMI refers to official data released by National Bureau of Statis in China
*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.
*ECB refers to European Central Bank
*PBOC refers to People's Bank of China
*PCE refers to Personal Consumption Expenditure
*FOMC: Federal Open Market Committee
*y-o-y refers to year on year
*m-o-m refers to month on month
*UST refers to United States Treasury
*BNM refers to Bank Negara Malaysia
* Caixin decided to end its title sponsorship of the S&P Global China Purchasing Managers' Index (PMI) as of July 2025. This decision was part of a "strategic adjustment" for Caixin, aligning with its long-term development needs. Caixin had been the title sponsor since 2015, using it as a way to expand into the data sector and analyze China's economic transformation. Following Caixin's departure, RatingDog (Shenzhen) Information Technology Co., Ltd., a Chinese credit research and bond rating company, successfully acquired the exclusive naming rights for the "S&P Global China PMI". Starting with the August 2025 data release, the index was officially renamed the "RatingDog China PMI". S&P Global continues to be responsible for compiling and releasing the monthly report.